

Take Your Business Global

Text File

Slide 1: Take Your Business Global An Introduction to Exporting

Welcome to SBA's online training program, Take Your Business Global: An Introduction to Exporting.

This course is a product of SBA's Small Business Training Network, in collaboration with the Office of International Trade.

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SBTN
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Slide 2: Introduction

This training program is about international markets and exporting. It is a practical, self-paced course packed with business information as well as real-world examples and helpful tips.

The course is intended to be a guide for small businesses to help determine if exporting – as a business strategy – makes sense and whether the basic ingredients for export readiness are in-place.

In a powerful trend that is reshaping the American economy, a growing number of U.S. small firms are selling hundreds of billions of dollars in products and services to markets all over the world.

You will find the course easy to follow and the subject matter indexed for quick reference and easy access. It will take about 30 minutes to complete. Additional time will be needed to review included resource materials and to complete the suggested next steps at the end of the course.

When you complete the program, you will have the option of receiving a printed Certificate of Completion from the SBA.

Slide 3: SBA Exporter of the Year

Many small U.S. firms have found profitable niche markets overseas.

The 2009 SBA Exporter of the Year, Andrew Krause, cofounder of SOUTHWEST WINDPOWER, credits the company's start in exporting to help from the SBA.

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Slide 5: Course Objectives

This program has four key objectives:

1. Define the value of globalization and help determine a firm's readiness for exporting.
2. Provide practical guidance on how to research international markets and make business connections throughout the world.
3. Describe how to develop an export strategy, receive and make international payments, and finance trade operations.
4. Identify and provide direct access to key international trade resources.

Slide 6: Expanding World Markets

Did you know that over 95 percent of the world's population lives outside of the United States. That means, if you have a product or service to sell, you may want to go where the buyers are and, increasingly, that's outside of the United States. Going global is real!

New technologies, advanced communications and improved travel and delivery options are making the world – as we know it – smaller. Today, via the Internet, we can communicate across the globe in an instant. We have access to information and markets all over the world, making it relatively easy to identify new opportunities and increase sales in foreign markets.

It is critical for small U.S. businesses to think globally. You may have already discovered that your company is competing internationally because foreign-owned companies are competing with you in your "domestic" markets. The line between domestic and international markets is becoming increasingly blurred.

In a world of over 6 billion people, global communication networks, next-day---world-wide deliveries and international television, it no longer makes sense to limit your company's sales to local or even national markets. Your business cannot ignore international influences and opportunities, if you intend to maintain your market share and keep pace with your competitors.

Exporting is crucial to America's economic health. Increased exports mean business growth, and business growth means bigger profits for U.S. companies—all of which ultimately result in more jobs for American workers.

Slide 7: Is Exporting for You?

There are many advantages to exporting. However, international trade is not for everyone. You may be interested, but your business may not be suited or ready for exporting.

There are several ways to evaluate the export potential of your products and services in foreign markets. The most common approach is to examine the success of your products domestically. If your company is successful selling in the U.S. market, then there is a good chance that it will also be successful in international markets.

Slide 8: Export Readiness

To help gauge your export readiness, think about and respond honestly to the following questions:

Is exporting consistent with the vision and mission of your company?

Does your company have products and services that are successfully sold in domestic markets?

Why will your products be successful in international markets?

Do you have the commitment, persistence and financial resources to actively support the marketing of your products in targeted international markets?

Discussing and answering these questions with a mentor or international trade advisor will help define your readiness for exporting.

Slide 9: Readiness Assessment Tool

At your convenience, come back to this page and use this automated assessment tool to determine your readiness for exporting.

This nine question tool was developed by the Foreign Agriculture Service. It's well done.

After answering the questions you will receive a score that will help you evaluate your export readiness, as well as identify areas your business needs to improve its export capacity.

Slide 10: Preparing for Global Markets

OK, let's get started.....

Success in business often depends on how well you prepare yourself and your business --- but, you know that already. If you are already in business, you know things just don't fall into place, without proper research and planning.

It is no different in the world of exporting....To successfully penetrate international markets, you need to understand them. There are many ways you can research global markets. Several proven methods include:

Keep abreast of world events that influence the international marketplace, watch for announcements of specific projects, or talk with foreign buyers at U.S. trade shows.

Go to industry roundtables, lunches or briefings. Talk to suppliers, bankers, colleagues and trade professionals like shippers, or other successful exporters.

Your existing network is probably a good starting point. But get advice from trade experts and experienced exporters. Contact the trade specialists at the U. S. Department of Commerce, your state's economic development department, local or regional trade associations, or you could hire an international trade consultant.

Slide 11: Screen Potential Markets

Market research is key. Once you have completed your basic due diligence – further analyze or screen potential markets. Consider following these steps.

Step 1. Obtain export statistics that describe the volume of product exports to various countries. Published export statistics provide a reliable indicator of where U.S. exports are currently being shipped. The U.S. Census Bureau provides these statistics in a published format. Check with a trade expert or mentor to help find this information.

Step 2. Identify five to ten large and fast-growing markets for your company's product. Review them over the past three to five years to determine if market growth has been consistent. Be cautious of markets where growth is inconsistent.

Step 3. Identify some smaller but fast-emerging markets that may provide ground-floor opportunities. If the market is just beginning to open up, there may be fewer competitors than in established markets. And,

Step 4. Target identified and promising markets and consult with trade mentors and experts to help further evaluate such markets.

Keep in mind, that there is a wealth of online country and market information available to help you screen potential markets. Powerful resources such as export.gov, the Commerce Department and others can be very helpful and are highlighted later in this program.

Slide 12: Develop an Export Strategy

OK -- so you've done your research and are now ready to develop an export strategy. You have two basic choices, selling directly or indirectly to foreign markets.

Indirect selling is a common approach, especially for small businesses just entering international markets.

Using the indirect approach, a business can engage an intermediary such as an export management company or export trading company to sell products in foreign markets. Indirect selling is a popular choice for American firms, especially small businesses.

Direct selling to international customers is the most ambitious yet the most difficult approach because you are working directly with foreign entities.

Slide 13: Indirect Selling

Indirect selling, through intermediaries, is the easiest way to enter international markets. Export Management Companies and Export Trading Companies are, such intermediaries.

Export Management Companies act as your "off-site" export department, representing your product—along with the products of other companies—to prospective overseas buyers. The export management company looks for business on behalf of your company and takes care of all aspects of the export transaction. Hiring an EMC is often a viable option for smaller companies that lack the time and expertise to break into international markets on their own. Some specific functions EMCs perform include:

- Conducting market research to determine the best foreign markets for your products;
- Attending trade shows and promoting your products overseas;

- Assessing proper distribution channels;
- Locating international representatives and/or distributors; and,
- Arranging export financing, and, handling export logistics, and advising on the legal aspects of exporting and other compliance matters.

Export Trading Companies do many of the same functions, but also take title to the product.

Slide 14: Direct Selling

Direct selling means that you are responsible for finding international buyers for your products.

That is, once you have identified international markets offering the most potential, you will need to find ways to enter them. Some proven methods include:

Advertise in periodicals. Many small businesses report that foreign buyers often find THEM.

An ad placed in a trade journal or in the U.S. Department of Commerce's Commercial News USA can be a low-cost method for testing market interest and often yields inquiries from abroad. Commercial News USA is a monthly export catalog-magazine promoting U.S. products and services through U.S. embassies and overseas trade organizations in more than 150 countries, at a fraction of the cost of any other advertising.

The U.S. Commercial Service offers a number of programs to help locate potential agents or distributors overseas for your products, including the Gold Key service and the International Partner search, by utilizing its worldwide network of offices located in U.S. Embassies and consulates abroad.

Trade shows are another means of locating foreign buyers. The U.S. Commercial Service's International Buyer Program brings thousands of international buyers annually to meet with U.S. companies at major trade shows in the United States.

Participating in overseas trade missions is yet another way to meet foreign buyers. Public/private trade missions are often organized cooperatively by federal and state international trade agencies and trade associations.

Slide 15: Methods of International Payments

In any business, getting paid in full and on time is critical. It's no different with exporting.

There are several ways in which you can receive payment when selling your products internationally. However, your selected method will likely depend on how trustworthy you consider your buyer.

Typically with domestic sales, the transactions are made via credit or cash. With export sales, different payment methods such as cash in advance, letters of credit, documentary collections or open account are the most often used. These methods of payment can seem more complicated to new exporters.

An experienced exporting firm extends credit cautiously. It evaluates new customers with care and continuously monitors older accounts.

Each of the payment methods is explained in the following sections.

Slide 16: Cash In Advance

Cash in advance is often the first choice for payment and offers the least amount of risk to the exporter. As such, the exporting business is relieved of collection problems and has immediate use of the money. A wire transfer is the best method and has the advantage of being almost immediate. Payment by check should not be used.

Many exporting businesses accept credit cards in payment for exports of low dollar value that are sold directly to the end user. Domestic and international rules governing credit card transactions differ. With the increase in fraudulent use of credit cards, there can be no, or limited, protection against loss resulting from the use of unauthorized or stolen cards.

Slide 17: Letters of Credit

Letters of credit, called LCs, are one of the most common and safest payment methods available. An export letter of credit is an internationally recognized instrument issued by a bank on behalf of its client, the buyer. Of course, the buyer pays its bank a fee for this service. As a result, some buyers will resist LC terms if the competition is offering more lenient or less expensive terms. Keep in mind that various payment methods can be used as marketing tools and therefore should be negotiated carefully by you and the buyer.

A letter of credit is useful if you are unsure of a prospective buyer's credit worthiness, but are satisfied with the credit worthiness of your buyer's bank. Sometimes it is difficult to obtain reliable credit information about a foreign buyer, but it may be less difficult to do so for the buyer's bank. Moreover, this vehicle can be structured to protect the buyer since no payment obligation arises until the goods have been satisfactorily shipped or delivered as promised.

The terms and conditions required for payment under a letter of credit are spelled out in it. When the terms and conditions have been met, as verified through the presentation of all required documents, the buyer's bank makes the required payment directly to the seller's bank in accordance with the terms of payment.

Slide 18: Documentary Collections

As in the use of Letters of Credit, documents are presented and passed from bank to bank to trigger payment.

Documentary Collection, however, does not have the payment guaranty from the bank that is inherent in a Letter of Credit. The bank functions here more in a 'courier' role and will hold the documents until the buyer makes payment or accepts the bill of exchange; then the documents are surrendered and the buyer can clear the goods through customs.

Cash against documents involves a sight draft that is paid on presentation. Documents against acceptance requires the buyer to accept the accompanying bill of exchange or draft.

Be aware that on air freight this arrangement may not work as cleanly as with ocean freight, where there is a bill of lading that functions as legal title to the goods.

Slide 19: Open Account

In a foreign transaction, an open account can be a convenient method of payment if the buyer is well established, has a long and favorable payment record, or has been thoroughly checked for creditworthiness. With an open account, the exporter simply bills the customer, who is expected to pay under agreed terms at a future date. Some of the largest foreign firms make purchases only on open account.

However, there are risks to open account sales. The absence of documents and banking channels might make it difficult to pursue the legal enforcement of claims. The exporter also might have to pursue collection abroad, which can be difficult and costly. Another problem is that receivables may be harder to finance, since drafts or other evidence of indebtedness are unavailable.

It is advisable to combine open account terms with credit risk insurance.

Slide 20: Export Financing

Raising needed capital is not always easy. This is especially true for small businesses interested in obtaining working capital for export purposes.

Given the difficulty many small businesses encounter when looking for export financing, it is imperative that any financial arrangements be made well in advance. To find a lender willing to consider your request, you must ensure that the purpose of the loan makes sense for the business, that the request is for a reasonable amount, and that you can clearly demonstrate how the loan will be repaid.

With this said, and in the spirit of good preparation, SBA has prepared several training modules which may be beneficial to you. They can be reviewed at your convenience and include: How to Prepare a Business Plan; the Finance Primer: A Guide to SBA's Loan Guaranty Programs and How to Prepare a Loan Package. Similar to this training program, they are self-paced and will take about 30 minutes to complete. Also, the Department of Commerce has prepared an excellent trade finance guide.

Slide 21: Private Sources

As with any good business decision, it pays to do your homework and to shop around. This goes for financing your business as well. Typically, export financing is obtained from private or government sources. In this and the following sections, we will discuss both.

We will begin with the private sector. Commercial banks are a major source of export financing, as are private export finance companies. Export management and trading companies may also provide financing for a fee.

Another commercial source is factoring. Factoring houses or “factors” purchase export receivables on a discounted basis, providing exporters immediate payment on shipment.

Again, it pays to consider all options and to do your homework. Specifically with financing, sit-down with an export mentor, banker or SBA trade representative to review and consider private and government finance options.

Slide 22: Government Financing Sources

Because private sector financing providers will typically only assume limited risk regarding foreign transactions, the U.S. government provides export financing assistance. Such assistance generally comes in the form of guarantees made to U.S. commercial banks, which in turn make loans available to exporters.

Some federal agencies, such as the SBA or the Export-Import Bank, as well as some state governments, have their own specific export financing programs.

Slide 23: SBA – Financing Programs

SBA offers multiple and diverse programs to support the export financing needs of small businesses. Some of SBA’s programs work in conjunction with EX-IM Bank.

SBA’s most popular financing program is the 7(a) Loan Guaranty Program. The agency also offers three targeted special purpose loan programs, specifically geared for small businesses interested in exporting.

Slide 24: Basic 7(a) Loan Guaranty Program

7(a) loans are the most basic and most popular of SBA's business loan programs. Its name comes from section 7(a) of the Small Business Act, which authorizes the Agency to provide business loans to American small businesses.

All 7(a) loans are provided by lenders who are called participants because they participate with SBA in the 7(a) program. Not all lenders choose to participate, but most American banks do. There are also some non-bank lenders who participate with SBA in the 7(a) program which expands the availability of lenders making loans under SBA guidelines.

7(a) loans are only available on a guaranty basis. This means they are provided by lenders who choose to structure their own loans by SBA's requirements and who apply and receive a guaranty from SBA on a portion of this loan. The SBA does not fully guaranty 7(a) loans. The lender and SBA share the risk that a borrower will not be able to repay the loan in full. The guaranty is a guaranty against payment default. It does not cover imprudent decisions by the lender or misrepresentation by the borrower.

Under the guaranty concept, commercial lenders make and administer the loans.

Slide 25: SBA Export-Express

The SBA Export Express program provides exporters and lenders a streamlined method to obtain SBA backed financing for loans and lines of credit up to \$250,000.

By allowing lenders to use their own credit decision process and loan documentation, exporters get access to their funds faster. SBA provides an expedited eligibility review and provides a response in less than 24 hours.

The Export Express program helps small businesses develop or expand their export markets. Loan proceeds may be used to finance any export development activity, including:

Standby Letters of Credit;

Participation in a foreign trade shows;

Translation of product brochures or catalogues;

General lines of credit for export purposes;

Purchase of real estate and equipment to be used in the production of goods or services for export

And, other export financing needs.

Slide 26: Export Working Capital Program

SBA's Export Working Capital Program—or "EWCP"—targets businesses that are able to generate export sales and need additional working capital to support these transactions.

These EWCP loans can be used to support 100% of supplier, or production, costs for an export transaction. They can also be used to even-out cash flow when exporters have negotiated longer sales terms and cannot carry the resulting receivables with their own working capital.

The export working capital loans can be short-term, for example, for a single contract or for in the form of a revolving line of credit, supporting ongoing export sales for a period of 12 months.

SBA's EWCP loans ensure that qualified small business exporters do not lose viable export sales due to a lack of working capital. For this reason, SBA provides incentives to banks through loan guarantees so that they will make export loans to companies who would otherwise not be bankable.

Slide 27: International Trade Loan

SBA's International Trade Loan Program features term loans designed for businesses that plan to start or continue exporting or those that have been adversely affected by competition from imports. The proceeds of this SBA loan program must enable the borrower to be in a better position to compete.

Slide 28: Export-Import Bank

The Export-Import Bank, more commonly known as EX-IM Bank, is an independent government agency that supports the financing of U.S. goods and services, turning export opportunities into real transactions and maintaining and creating more U.S. jobs.

It assumes the credit and country risks that the private sector is unable or unwilling to accept. It does not compete with private sector lenders, but provides export-financing products that fill gaps in trade financing.

It also helps to level the playing field for U.S. exporters by providing export credit insurance and guarantees on loans made to foreign buyers purchasing U.S. capital goods.

EX-IM Bank provides a variety of financial assistance. Use the hyperlink to learn more about the EX-IM bank and its small business programs.

Slide 29: Legal Considerations

In the complex arena of international markets, it is best to seek the advice of qualified professionals. You should start with examining what legal protections are important, needed and affordable for your business.

The trade specialists at the U.S. Export Assistance Center nearest you are a first step in checking on the need, timing, protection value and procedures for guarding against theft of intellectual property.

The U.S. Export Legal Assistance Network—or ELAN—is a cooperative effort by the Federal Bar Association, the U.S. Department of Commerce and the U.S. Small Business Administration. Under this agreement, ELAN offers small businesses a one time, free legal consultation with knowledgeable attorneys who have expertise in international trade. To set up an appointment, contact your nearest Export Assistance Center.

Slide 30: Shipping and Distribution

Let's assume for a moment that you have customers, who are providing you with purchase orders or contracts for export sales, ----- you will need to negotiate with them the terms of sale, for example, how and when to ship; and how and when to get paid, etc.

When negotiating an international sales contract, both parties need to pay as much attention to the terms of sale as to the sales price. To make it as clear as possible, an international set of trade terms (INCO terms) has been adopted by most countries. INCO terms—13 options in all—are an international convention of terms for defining who pays for shipment, insurance and import duties. The same terms also record the transfer of ownership while the goods are in transit.

The INCO term in your sales agreement will guide the freight forwarder or logistics firm which you have hired in handling the goods and the charges.

For smaller transactions and air freight, there are also other options for you to select as shippers, i.e., FEDEX, UPS, DHL, etc. They often have small business departments to handle both shipping arrangements and the required documents that need to accompany the products to their destination.

A final comment on licensing. For some sensitive product categories, i.e., high technology items and weapons, the U.S. government requires a license before it is legal to export them. Usually this is done through the Bureau of Industry and Security, but in some cases the State Department also must grant its approval.

To learn more about this critical part of getting export shipments to the buyer, review some of the training videos provided by the US Census Bureau.

Slide 31: Next Steps

Much material has been discussed in this course.

The instructional part of the program is complete. It is now up to you to apply what you have learned. This is the most important part of the course.

If you are serious about exporting, consider taking the next steps.

Step 1. To expand your orientation about exporting, spend at least a couple of hours at your leisure reviewing the Web resources included at the end of this training module. All of those included are rich in content and excellent sources of information. Export.gov is particularly good.

Step 2. Discuss what you learned from this course and any questions you have with a business mentor, export counselor or SBA trade representative. Also, consider signing up for additional export training.

Step 3. Revise your business plan, making adjustments for the addition of an export component to your business. Include specific information and research about potential foreign markets.

Slide 32: Export Development Assistance

There are many exciting, new opportunities for exporting. Specifically, opportunities are arising in countries such as China, India, Brazil, and others.

Many resources are available to assist you in exporting to these countries and to places all over the world. The following resources can help you build a foundation of knowledge.

SBA has 68 district offices located throughout the country to help you start and grow your business. They can also help you find a local trade center or counselor. In addition, take full advantage of the "Export Tools" link, available on your local district office Website.

There are almost 900 Small Business Development Center locations around the country. SBDC's provide management assistance to current and prospective small business owners. A number of SBDC counselors have international trade expertise.

U.S Export Assistant Centers are located in most major metropolitan areas throughout the United States. The professionals at these centers will provide you and your business with local export assistance.

SCORE is a powerful source of free and confidential small business advice to help build your business. More than 10,000 SCORE volunteer business professionals are available to share their expertise and lessons learned in business.

The Small Business Training Network is a powerful virtual campus.

And finally, Women's Business Centers assist women in starting and growing successful businesses. Some 114 WBCs are located around the country.

Click on these resources to learn more and access their assistance.

Slide 33: Other Resources

Knowledge is power. Learn as much as you can about international markets, before you make a business decision about exporting.

Other specific and very helpful resources include: Export.Gov; the International Trade Administration; the World Fact Book; the State Department; the World Bank; SBA's publication: Breaking Into The Trade Game; and the Trade Information Center.

Slide 34: Other Resources

In addition, SBA's Office of International Trade is a great resource; the U.S. Customs Service; the Agency for International Development; Export Assistance Centers; and other Websites can be very helpful.

Slide 35: Need More Answers?

Never let a question go un-answered.

Ask a trained export counselor, visit a U.S. Export Assistance Center, or participate in additional training programs about exporting. Export Assistance Centers are a valuable resource. They are a one-stop-shop for companies offering trade finance expertise from SBA and EX-IM Bank and the guidance of trade specialists from the Department of Commerce's Commercial Service.

The Export Centers are a gateway to all federal export development and assistance programs.

Slide 36: Conclusion

Thank you for your participation in this training program. We hope it was helpful and we wish you success in the future.

If you completed the entire course, you are entitled to a certificate of completion from the SBA. Click on the print button to receive your certificate.